



## STATE BOARD OF EQUALIZATION STAFF LEGISLATIVE BILL ANALYSIS

|                 |                            |                |  |
|-----------------|----------------------------|----------------|--|
| Date Amended:   | 06/29/02                   | Bill No:       | AB 3009  |
| Tax:            | Energy Resources Surcharge | Author:        | Committee on Budget  |
| Board Position: |                            | Related Bills: | AB 3000 (Assembly Budget Committee)<br>SB 1849 (Senate Budget and Fiscal Review Committee) |

### BILL SUMMARY

This is a budget trailer bill implementing various provisions incorporated into the 2002-03 Budget. This bill would, among other things, increase the "cap" on the energy resources surcharge imposed on the consumption in this state of electrical energy purchased from an electric utility, on and after January 1, 2003, from two-tenths (\$0.0002) of a mill to three-tenths (\$0.0003) of a mill.

### ANALYSIS

#### Current Law

#### Energy Resources Surcharge (Section 2)

Under current law, the energy resources surcharge is imposed on the consumption in this state of electrical energy purchased from an electric utility. The surcharge rate is currently fixed at two-tenths mill (\$0.0002) per kilowatt-hour.

The energy resources surcharge is collected by the Board and transmitted to the State Treasurer to be deposited in the State Treasury to the credit of the Energy Resources Surcharge Fund, which, after refunds, is deposited to the Energy Resources Program Account.

Section 40182 of the Energy Resources Surcharge Law provides that it is the intent of the Legislature that the funds in the Energy Resources Programs Account be used for ongoing energy programs and energy projects deemed appropriate by the Legislature, including, but not limited to, the activities of the State Energy Resources Conservation and Development Commission.

#### Proposed Law

Among other things, this bill would provide that the energy resources surcharge rate would be fixed by the Energy Commission at a public meeting in each November for each calendar year starting the following January. The maximum rate would be three-tenths mill (\$0.0003) per kilowatt-hour of electricity sold by an electric utility. If the commission fails to fix the rate in any November, the surcharge would continue at the rate in effect during that November.

*This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the Board's formal position.*

### Background

In 1974, AB 1575 (Chapter 276) established a surcharge of one-tenth of a mill (\$0.0001) per kilowatt-hour of electric power sold to consumers, or at a rate fixed on a periodic basis by the Board within prescribed limits. AB 2077 (Chapter 991, Statutes of 1974) changed the surcharge rate schedule and revised provisions for the administration and collection of the surcharge on electricity established by AB 1575.

In 1982, SB 1399 (Chapter 1067) repealed as of July 1, 1983, the provisions relating to the Board's periodic establishment of the rate. In addition, that bill established a fixed surcharge rate, on and after July 1, 1983, as the rate fixed by the Board which was in effect on that date (two-tenths of a mill (\$0.0002)).

### COMMENTS

1. **Sponsor and purpose.** According to a consultant to the Assembly Budget Committee, this provision has no specific sponsor. This bill is intended to establish an energy resources surcharge rate that would cover all costs associated with the California Energy Commission's Energy Facilities Licensing Program (referred to as the siting program) on an ongoing basis.

The Legislative Analyst's Office recommended this proposal because they believe that the ratepayers--as opposed to general taxpayers--should support the siting program since they are the entities that directly benefit from the services provided by the siting program.

2. **Provisions would not be problematic to administer.** Enactment of the provisions relating to the energy surcharge rate would not materially affect the Board's administration of the energy resources surcharge law.
3. **Funding for energy programs would be increased.** The energy resources surcharge is collected by the Board and transmitted to the State Treasurer to be deposited in the State Treasury to the credit of the Energy Resources Surcharge Fund, which, after refunds, is deposited to the Energy Resources Program Account. The revenue deposited to the Energy Resources Program Account is used to pay for ongoing energy programs and energy projects deemed appropriate by the Legislature.
4. **Related legislation.** This bill contains identical energy resources surcharge rate increase language as AB 3000 (Assembly Budget Committee) and SB 1849 (Senate Budget and Fiscal Review Committee).

### COST ESTIMATE

The Board would incur absorbable costs related to this measure for notifying electric utilities, revising returns, and computer reprogramming.

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## REVENUE ESTIMATE

### Background, Methodology, and Assumptions

The Energy Surcharge Law (Section 40016 of the Revenue and Taxation Code) imposes a surcharge on the consumption of electrical energy purchased from an electric utility at a fixed rate of \$0.0002 per kilowatt-hour as specified by the Board of Equalization. This bill proposes an increase in that rate not to exceed \$0.0003, per kilowatt-hour, as fixed by the Energy Commission in a public meeting each November to be effective each calendar year starting the following January.

The chart below represents a comparison of energy surcharge revenue using the current rate and the proposed rate increase from fiscal years 1996-97 through 2000-01.

| Fiscal Year    | Total Energy Surcharge Revenue      |                                      |
|----------------|-------------------------------------|--------------------------------------|
|                | Current Rate<br>per KWh<br>\$0.0002 | Proposed Rate<br>per KWh<br>\$0.0003 |
| 1996-97        | \$ 42,542,000                       | \$ 63,813,000                        |
| 1997-98        | 41,454,000                          | 62,181,000                           |
| 1998-99        | 43,191,000                          | 64,786,500                           |
| 1999-00        | 45,539,000                          | 68,308,500                           |
| 2000-01        | 47,931,000                          | 71,896,500                           |
| 5 year Average | \$ 44,131,400                       | \$ 66,197,100                        |

### Revenue Summary

As indicated by the chart above, an increase in the energy surcharge on the consumption of electrical energy from \$0.0002 per kilowatt-hour to \$0.0003 per kilowatt-hour will increase energy surcharge revenue by an average of \$22 million each fiscal year (\$66,197,100 - \$44,131,400).

|                       |                   |              |          |
|-----------------------|-------------------|--------------|----------|
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